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**The Rise of Nationalism in Times of Crisis**

**The Case of Yugoslavia**

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## **ABSTRACT**

In this thesis, we aim to find the relationship between the economic crisis and the rise of nationalism in Yugoslavia. In addition, we focus on the political framework, as defined by the 1974 Constitution, which significantly changed the course of Yugoslav institutions after the death of Tito. We find that the rising levels of debt and economic misbalance across republics were key contributors to increasing tensions between republics. We conclude that the combination of these factors with the lack of political will, stemming from decentralization and increased power to republics, as the main culprits behind the rise of nationalism. We build on the existing literature, contributing to the further cross-examination of reasons behind the dissolution of Yugoslavia. The importance of this thesis is related to the political elite, who can apply key takeaways from the case of Yugoslavia to the modern geopolitical context dealing with economic and political crises.

## **KEYWORDS:**

Nationalism, Economic crisis, Yugoslavia, Political elite, Conflict, Dissolution, Political system

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**Declaration of Authorship**

- 1. The author hereby declare that he compiled this thesis independently, using only the listed resources and literature.**
- 2. The author hereby declare that all the sources and literature used have been properly cited.**
- 3. The author hereby declare that the thesis has not been used to obtain a different or a same degree.**

**Prague, 02.01.2016**

**Marija Brnović**

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# Master Thesis Proposal

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## Proposed Topic:

The Rise of Nationalism in Times of Crisis - The Case of Yugoslavia

## TOPIC CHARACTERISTICS

Throughout the 20<sup>th</sup> century, nationalism played a key role as a cohesive factor in times of crisis and war. In times of crises, the political elite and advising policy makers often struggle in proposing effective solutions that can result in a positive impact. The political elite used all available methods to stay in power, including the use of nationalistic rhetoric to mobilize consensus and gain the support of the people that were searching for a sense of belonging. Policy makers stunned by a crisis, with a lack of vision for the future and ideas for solving the problems at hand, often have no courage to initiate and implement radical reforms. Instead, they propagate "otherness", believing that they could easily attract support from discouraged citizens while also keeping things under control. The Yugoslav experience in the 80s of the last century is indicative under many respects.

## Hypotheses

- 1) Socialist bankruptcy is a main trigger behind the eventual rise in nationalism
- 2) Deterioration of the economic system resulted in the rise of nationalism
- 3) The political elite took advantage of the political framework and decentralization, which resulted in economic nationalism, leading to ethnic nationalism

## Methodology

In this study we will apply quantitative and qualitative methods. To prove first hypothesis we will be using the approach based on the evolution of the institutional system, following the "DECIDE" framework, as defined by McGinnis (2003). The

best methodology can be based on social institutionalism, which is further supported by elementary findings on political economy. Both quantitative and qualitative approaches with basic statistical data will be the foundation of proving our hypotheses. Though, as the main focus of the research is rise of nationalism stemming from political reactions to the economic crisis, the second and third hypotheses will be approached from a qualitative angle, due to the assumed value of the context and setting. Political reactions to the crisis will be based on the political context in the given period.

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## **LIST OF ABBREVIATIONS**

<b>SFRY</b>	Socialist Federative Republic of Yugoslavia
<b>IMF</b>	International Monetary Fond
<b>WB</b>	World Bank
<b>GDP</b>	Gross domestic product
<b>OAPEC</b>	Organization of Arab Petroleum Exporting Countries
<b>JNA</b>	Yugoslav Federal Army
<b>CPY</b>	Communist Party of Yugoslavia
<b>EEC</b>	European Economic Community

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## 1. INTRODUCTION

Throughout the 20<sup>th</sup> century, nationalism played a key role as a cohesive factor in times of crisis and war. This was true during the First and Second World Wars, just as it was at the end of the century, which saw the rise of nationalism, increased ethnic tensions and the eventual dissolution of the Socialist Federative Republic of Yugoslavia. But is nationalism a result of a natural belonging to a collective or is it a result of external factors? Can increased economic disparities between regions or political models that are not based on foundations of tolerance and mutual understanding be factors that impact this trend?

In times of crises, the political elite and advising policy makers often struggle in proposing effective solutions that can result in a positive impact. As was the case in Yugoslavia, the political elite used all available methods to stay in power, including the use of nationalistic rhetoric to mobilize consensus and gain the support of the people that were searching for a sense of belonging (Bianchini, 2011).

This all contributes in reinforcing the identification of "otherness" as a social factor of a group's threat, resulting in ethnic and social tensions. Therefore, we have a situation where everybody is unsatisfied and looking for the guilty party. When people are not satisfied with themselves and the situation they are in, they cling onto those type of ideas that awake the human within which are usually related to national and religious ties. Suddenly, they feel empowered when they are told that they are not the ones at fault, but that "those other people are to blame".

Policy makers stunned by a crisis, with a lack of vision for the future and ideas for solving the problems at hand, often have no courage to initiate and

implement radical reforms. Instead, they propagate “otherness”, believing that they could easily attract support from discouraged citizens while also keeping things under control. This was commonplace in Yugoslavia in the 1980s, as nationalist rhetoric increased significantly, without any concrete solutions proposed or any aggressive structural reforms seen through.

The breakup of the former Socialistic Federative Republic of Yugoslavia (Map 1) and following conflicts were a significant challenge for international politicians and diplomats. The ideological war between the east and west, ending with the fall of the Berlin Wall, left Yugoslavia standing proud as the founder of the non-aligned nations. Yugoslavia was seen as a "moral winner". In 1991, however, the world was shocked by the events that were happening in Yugoslavia when the ethnic war started in a country that was made of six different nations who had lived under an authoritative system, in peace and solidarity for over 45 years. The death of Tito in 1980, coupled with mounting debt, resulted in deteriorating living conditions throughout the republics. Imperative political reforms were not carried out, ethnic tensions grew and the conflict became inevitable.

Since then, many authors have been trying to explain the causes of the bloody war, many arguments including: economic climate, nationalism, ethnic hatred, international (external) factors, cultural differences, etc. Most claimed that nationalism was the starting point of the breakup of the country that was once a stable and relatively prosperous socialist federation. Robert Hayden provided interesting insight into the split of the former Yugoslavia. Namely, he notices that there was a void left after the collapse of the communist party. He believed this void was filled

with nationalist sentiment. He continued, arguing that citizens of a country must identify with each other in terms of ethnicity. Without this unity, a nation cannot be stable and those belonging to a group will always wish to be together (Hayden, 1998). These ethnic tensions are not exclusive to the former Yugoslavia, but can be seen throughout the world even today, for example of Kurds in Syria and Iraq. The former Yugoslav republics were able to live in unity until the authoritative figures, i.e. the communist party, fell apart.

The problem with this line of argumentation is that it disregards the role of the political elite in response to the economic crisis and the political framework which prevented further reforms necessary for the continued functioning of the federation.

In line with above, we aim to answer following questions:

- a) Did the country fall apart due to the increased stress resulting from socialist bankruptcy? How reluctant were the republics to share the costs of socialist bankruptcy and how did this impact the end result - dissolution?
- b) Were the financial and economic crises triggers for the reinforcement of nationalism?
- c) Did the political elite of Yugoslav republics take advantage of the political framework and inability to reform the political system in order to preserve power and promote the interests of their respective republics? Did the protection of their republic's interests result in economic nationalism, further reinforcing ethnic nationalism and leading to the dissolution of Yugoslavia as a whole?

Consequently, in attempting to answer these questions, it poses the following hypotheses to test and explain:

1. Socialist bankruptcy is a main trigger behind the eventual rise in nationalism
2. Rise of nationalism stems from economic crisis
3. Insufficient reforms by the political elite lead to the split within the communist party, increasing nationalism

The research questions outlined above imply that the objective of this thesis aims to examine the reinforcement of nationalism in time of crisis. The study prioritizes the impact of the economic and political systems on the rise of nationalism throughout the Yugoslav republics.

This study is divided in the following way: chapter two describes the literature review related to the economic crisis in Yugoslavia, political frameworks, and role of political elites sparking the rise of nationalism. Chapter three focuses on the methodology used throughout this study. Chapter four will develop theoretical background for our study, considering two main academic approaches to nationalism which are applicable to our study. The first is the modernist school (economic approach), which is centered around economic development. The second is the primordialists school (ethnic approach), which is centered around the ethnic approach. Following, we will consider the connection between democracy and nationalism. Chapter five will describe socio economic events leading up to



separation of Yugoslavia. Chapter six will describe political rejection through the crisis, followed by the concluding statements.

The effect of the economic crisis on the breakup of Yugoslavia has been studied in previous works. Our aim, however, is to focus on the aspect of nationalism - connecting the economic crisis and the political framework with the rise of nationalism throughout republics. We will not focus on the individuals involved in the wars or try to find the main culprit behind what happened in the 1990s.

The importance of studying the events that lead to the death of Yugoslavia is significant in the modern geopolitical context and can be applied to the European Union. Namely, the recent global economic crisis has had profound effects on Europe, particularly related to the bailout of Greece, as well as public debt issues in Ireland, Portugal and Spain. Similarly, the influx of refugees from the Middle East and Africa has challenged the political framework which the Union applies. The political elite in Europe must be aware of the events that occurred in Yugoslavia that were triggered by the economic crisis in 1970 and the political framework adopted after the death of Tito. As nationalistic and protectionist rhetoric rises in France and Switzerland, studying the case of Yugoslavia may prove significant in resolving political conflicts.

## 2. LITERATURE REVIEW

Thousands of scholars have written about the dissolution of the Socialist Federative Republic of Yugoslavia, offering a wide array of reasons. The most common explanation of the events leading up to the civil war that took place between 1991-1995 include ethnic tensions and intolerance. Ivekovic (2000), Bianchini (1998), Connor (1994) and Schopflin (1998) are among the many scholars that described notions such as “ethnic nationalism” or “ethno-nationalism”, which became the principal way for understanding Yugoslav dissolution. Some authors believe that nationalism, stemming from the end of the Second World War, was the starting point of the breakup of the country that was once stable and relatively prosperous socialist federation that would eventually be split into ethnically divided republics by the beginning of the 90s. Similarly, Kaplan (1994) claims that nations in the region are guided by historical standing intolerance. The more frequent reasoning arises from the interpretation of the newly adopted constitution of 1974, which significantly changed the political landscape within the country and set the foundation for governance after the death of Tito (Petak, 2005). Others relate the dissolution of the country to the worsening global landscape at the time, with other eastern European countries rejecting the communist regimes and adopting a western oriented political model. Multiple factors have played a role, however many believe that the root cause was in fact nationalism. But, the cause of the rise in nationalism at the end of the 20th century is not fully explored, as some scholars point out that they are a product of economic, legal, and political gridlock. We will explore these underlying problems

that are the root cause of dissolution in order to gain a deeper understanding of the rise in nationalism that lead to the eventual separation of Yugoslavia.

Some of the most important literature which examined the economic differences between regions and economic problems as the source of national identity, including the case of Yugoslavia, was written by scholars such as Alice Teichova, Herbert Matis and Jaroslav Patek (2000). In their work, entitled "Economic Change and the National Question in Twentieth-Century Europe", they cooperated with a Slovenian historian, Novak Borak, who claimed that the former Yugoslavia was an economic federation with the highest degree of internal economic differences in Europe. He compared the standard of living and GDP of individual republics with that of other nations. "Yugoslavia was at the level of Turkey in terms of per capita gross domestic product at purchasing power parity in 1985. Kosovo, the less-developed part of Yugoslavia, was at the same level as Pakistan. The most developed part, Slovenia, was compared with Spain and New Zealand. Vojvodina and Croatia approached Greece and Portugal. Bosnia-Herzegovina and Macedonia were compared with Thailand and Mexico, and Serbia with Turkey (Borak, 2000. pp. 312-313)".

The second author that also dealt with the economic differences between republics/regions in Yugoslavia was Plestina (1992). According to her, the reasons behind the split of Yugoslavia was a result of regional economic differences throughout the country. In examining her hypothesis, she split the country into two regions: the northern part being economically developed (Slovenia, Croatia, northern

Serbia and Vojvodina) and the southern part (Macedonia, Montenegro, Bosnia and Herzegovina and the province of Kosovo). The conflict is a result of republics feeling exploited by the economic system. That is to say, the north believe that the poor republics in the south were responsible for slow economic development which the south complained that the north is not helping them enough and that it is exploiting trade for their own gain. The conclusion drawn from Plestina's work is that there was a lack of social cohesion among republics and that economic solidarity was not strong enough to promote the balancing of the standard of living throughout the country.

Dimitar Mirchev (2006) also agreed that lack of solidarity resulted in the collapse of Yugoslavia. He compared the state of Yugoslavia with that of the European Union, arguing that there was an unequal standard of living across the territory: one that was less developed (south of Yugoslavia/ Eastern Europe) and one that was more developed (north of Yugoslavia/ Western Europe). He confirmed that the greatest challenge in both cases was finding common ground and solidarity, only then could the standard of living be increased and the economic situation improved.

Susan Woodward (1995) in her book "Socialistic Unemployment" agrees with previous authors that economic differences between the republics/regions were the reason for Yugoslav dissolution. However, she went further and focused much of her efforts on socialist unemployment. She concluded that Yugoslavia could have survived while it ensured socialist employment. However, after Tito's death and decentralization of the economy took effect, she believed that the root cause of dissolution was the social aspect fueled by increased unemployment in the southeast

and eastern parts of the country. Decentralization lead to the key stakeholders focusing on the interests of their own republics as opposed to that of Yugoslavia as a whole. She therefore concluded that the main reason leading to increased nationalism within republics was unemployment and decentralization, leading to the disintegration of the federation.

Similarly, Petak (2003) built on the theories developed by Woodward, explaining that the bankruptcy of socialism, due to high unemployment, decentralization and significant differences in the standard of living between republics/regions, lead to economic nationalism. Finally, the Slovenes and Croats changed course, aiming for a Western European model, while the Serbs and Montenegrins were grounded in their communist beliefs. Each of the republics was focused on their national interests above those of Yugoslavia.

Dejan Jovic (2003) believed that the deep economic crisis resulted in the fall of the communist regime because it increased the disparities and feeling of injustice throughout the republics. Given that the alternative to socialism was not accepted (or was not possible at the time), the idea of equality and justice was found amount citizens within the republics, which thereby lead to the rise in nationalism.

Miroljub Labus (1994) blames the economic system which was a result of "an unequal division of funds, which lead to inherited economic problems becoming deep social problems" eventually leading to increased ethnic tensions and the collapse of the federation. The country's economic system was not prepared to deal with the

deepening debt crisis and was unwilling to see through the necessary reforms. Similarly, the misallocation of funds throughout the nation and poor economic planning lead to deeper differences in the standard of living across republics, finally leading to national conflicts.

In addition to analyzing the existing literature related to the economic factors which had an impact on the rise in nationalism throughout the republics, we will also consider the political structure and legal framework which was established in Yugoslavia at the time. The role of the political elite in the rise of nationalism will be considered as well.

Ramet (2006) argues that the illegitimate political system impacted the fractioning of the federation. She claimed that the illegitimate system was based on the decisions of the ruling communist party. Control and surveillance of the media further illegitimated the system as it suppressed the reality of the situation. Given the context of the federal system and six republics which were gaining power, the discontent would eventually pour through these channels of communication. Considering this view, we conclude that the illegitimate system was one of the main contributors to the death of Yugoslavia. Considering the other democratic changes that were happening throughout the world at the time, most importantly in the countries that were under the iron curtain, had free elections for the parliament been held at the federal level, the outcome might have been different. Unfortunately, this did not come to fruition due to the Serbian-Slovenian opposition.

Bianchini (2011) claimed that economic crisis was reason for dissolution, but he goes even further blaming republics leaders for rise of nationalism. He claimed that political leaders were focused on the internal interests of the republic, which thereby enabled them to solidify their position of power. This resulted in protectionism of the interests of the republic in the form of nationalism.

Goati (1996) claimed that the blossoming of nationalism was a result of the economic crisis, and that the political elite was unsuccessful in carrying out the necessary structural political reforms that would prevent the dissolution of Yugoslavia.

Bianchini (2011) highlighted that this trend became more and more prevalent as tensions between republics increased. It resulted in a reduced trade and increased social inequality. The gap between developed and undeveloped regions increased, spurring the rising support of nationalism throughout all republics.

Stankovic-Pejnovic (2005) claimed that political elite follows the ideology of the collective, and must replace it with a similar collective ideology upon change. That is to say, they must adopt a nationalistic ideology.

Spencer and Bacher (2001), claimed that "ethno-nationalism was almost tailor-made to replace the old ideological schema." Political stakeholders in all republics made use of the opportunity to advocate their story to a political base that further lead to increased ethnic tensions.

Malcolm (1994) wrote that the underlying reasoning behind ethnic conflicts is due to the manipulation of political elites instead of some inherent genetic predisposition toward the ethnic animosities of the peoples of the region.

Some authors argue that nationalism does not appear on its own. Rather, it is a result of political manipulation further promoted by key political stakeholders in order to gain their own interests.

Spencer and Bacher (2001) further claimed that people who know of one collectivist ideology (communism) and that are deprived of an enemy, tend to find it difficult to adjust to a democratic system based on pluralism and tolerance. Instead, they seek a new outlet through which they can blame others for their problems.

Goati (1997) found that the elite, while fighting their battle regarding political reforms (monism and pluralism) and the structure of the future country (federation/confederation), were further mobilizing the citizens from their regions which lead to increased political conflict among the various ethnicities in the country.

Crnobrnja (1996) developed a similar thesis claiming that the reluctance to carry out political reforms resulted in the opening of Pandora's box of ethnic tensions instead of developing reforms which could give the people a role of significance. He wrote "Rather blaming systematic causes for pure economic performance, because that would have involved self-criticism as well, the popular line became that others were to blame (Crnobrnja, 1996)".



### **3. RESEARCH METHODOLOGY**

This thesis is a case study by its very nature. It aims to examine the rise of nationalism due to economic instability and due to the political framework which impacted the decision making by key stakeholders in the former Yugoslavia. That is to say, an additional analysis regarding the political structure and failed reforms will be investigated in order to better understand the framework which lead to the strengthening of nationalistic parties in the republics and the eventual death of Yugoslavia. To do so we will firstly try to answer the question why "traditional nationalism" that quickly distorted social and political frameworks that held the Yugoslav federation together for decades using two approaches. The first approach is related to the legitimacy of the political elite which was established by the 1974 Constitution. The second approach investigates the unwillingness of republics to share the cost of socialist bankruptcy. In the third chapter we will focus on the second approach, explaining that the dissolution of Yugoslavia is result of socialist bankruptcy. Moreover, showing that the economic dimension of dissolution is associated with the rise of economic and ethnic nationalism.

To prove why traditional nationalism quickly destroyed social and political frameworks that held the Yugoslav Federation together, we will be using the approach based on the evolution of the institutional system, following the "DECIDE" framework, as defined by McGinnis (2003). The best methodology can be based on social institutionalism, which is further supported by elementary findings on political

economy. Both qualitative and quantitative approaches with basic statistical data will be the foundation of proving our first hypotheses.

Though, as the main focus of the research is rise of nationalism stemming from political reactions to the economic crisis, the second and third hypotheses will be approached from a qualitative angle, due to the assumed value of the context and setting. Political reactions to the crisis will be based on the political context in the given period.

In order to carry out this analysis, we will be using multiple sources by the most influential scholars in this field. In the construction of the theoretical framework, we will depend on prominent academics in the field of international relations and theories of nationalism and its connection with political power, complimenting similar works on economics and politics in Yugoslavia. Most of primary and secondary socio-economic data are obtained by books of various authors, as well as The International Monetary Fund and World Bank reports. In the literature review above, we have cited the key scholars we referred to. Their publications are complemented by tertiary sources, such as: journal articles, newspaper articles, reports and documents related to the study of nationalism, economy and political system in Yugoslavia.

## **4. THEORETICAL FRAMEWORK**

### **4.1. Theories of nationalism - primordialism vs. modernism**

In order to gain a deeper understanding of the complex relationship between political reactions to the crisis and rise of nationalism in Yugoslavia, this thesis builds upon the theoretical concept of nationalism and its connection to democracy.

In line with Calhoun's (1993) observation the term nationalism was coined by German philosopher Herder just less than two hundred years ago, who claimed that every nation must be able to highlight their uniqueness through language and culture within their separate state. It was linked to the concept of nation-state in the formulations of Woodrow Wilson and the League of Nations (Maya 1990, Kahn 1962). As communism collapsed, Eastern European politics and identity were characterised by nationalism and ethnic conflict (Chiot, Tilly & Walker 1991).

Definition and nature of nationalism remains the subject of debate. It takes different forms in different societies, and it is a highly complex phenomenon (Smith, 1998). In a line with Beland's and Lacorus's observation authors of primordialists school of thoughts believe that nationalism involves two elements: 1) Identity derived from religion, language, ethnicity (whether it is real or created), sharing a common market, etc. Therefore, one could conclude that nationalism takes shape of “identity politics”, which brings about an emotional characteristic of its manifestation (Smith, 1998, pp. 146-199). 2) Also, nationalism delivers a process of division at territorial levels, in order to obtain or retain self-governance of a group or a nation (in the form of autonomy or independence). It is a process of territorial mobilization (Brass,

1991). Hence, nationalism is a form of politics, which may be characterized by identity formation. It cannot be separated from the exercise of political power (Beland & Lecorus 2005).

According to Smith (1993) nationalism is a modern phenomenon, yet he emphasises 'ethnic origins' of modern nations. Smith sees civil/territorial nationalism as founded in shared culture, common laws and territorial citizenship. Membership of the nation is defined by civic nationalism whereby residence participate politically in public culture. He sees ethnic nationalism as an ethnic conception of the nation that 'focuses on the genealogy of its members, however fictive, on popular mobilization of "the folk"; on native history and customs and on the vernacular culture' (Smith, 1993). In both types of nationalism conflicts emerge because people identify with their nation.

However, authors of modernist school of thought Anderson (1998), Gellner (1993) and Hobsbawm (1993) find the nation as an 'imagined political community'. Each ethnic group is part of a social group for some historical period, which will not exist forever. According to them, political principles have a goal to unite political and national unities, with their bureaucratic and legal institutions using their shared language (Gellner, 1983, p. 57) .

There are two very similar but differing views on what is required to deliver functional political institutions. The political theorists like Lijphart (1977), and Scharpf (1999), claim that demos needs to coincide with ethnos. Liberal nationalists

are also following the same reasoning Miller (1995) & Hopkins (2001), Moore (2001) & Young (1990). The difference between the two perspectives remains in that the latter focuses on equality in a plural society. Their reasoning is based on the assumption that effectiveness of institutions is dependent on the collective culture. The two approaches also agree that nations need to be homogenous to a certain degree to hold people together. Political stability is proportional to the level of homogeneity (Salins, 1997).

Smith (1998) observes that despite difficulties in agreeing on the content and composition of nationalism, majority of scholars concur that historical experiences are deeply rooted in forming identity of social groups and have over time become a form of attachment.

#### **4.1.1. Top-down perspective**

Authors such as Gellner (1983) representative of modernists school of thought claims explicitly that nationalism is created by political elite. His colleagues Anderson (1983) and Deutsch (1996) specified further to say that nationalism is created by political elite. (Anderson, 1983; Deutsch, 1966). According to them, modern (industrialized) society is a catalyst of values that are created around a common language and culture that pushes for development of bureaucratic system that could facilitate the creation of common political arena and public mass education. Consequently, civil society is shaped by the institutionalized nationalism driven by political elites. Authors of primordialists school of thoughts Smith (1998)

and Breuilly (2002) do not deny that elite create nationalism, but they believe that they are not the only responsible for the development for nationalism. According to them, political elites use nationalism to unify their positions as well as for mobilizing political actions.

In line with Whitmeyer's (2002) observation rational choice perspective says that individuals tend to pursue their interests and therefore believe that nationalism is not created by elites (Díez Medrano, 1995). However, some authors such as Rogowski (1985) believe that under certain circumstances elites lead non elites into nationalism.

Brass (1991) furthermore claims that elites manipulate symbols of ethnicity in order to create ethnic identity based on interests of the elite. This process of public display of symbols and standpoint is prevalent in all modern societies, but varies significantly across different entities in strength and shape. According to Snyder and Bellentine (1996) the way nationalism is articulated differs from being extreme (as in states in war) to being more of a battle of ideas in more pacified states (Whitmeyer, 2002).

Theories and views differ about nationalism, yet they share a common feature: emphasis on the role of the elite in its creation and shape.

#### **4.2. The Connection between Democracy and Nationalism**

In line with Spencer's (2001) observation, the advantages of adopting a democratic system in developing countries comes with negatives as well. In the

1980s and 1990s, when many countries of the eastern bloc started transitioning towards democracy, there had been a rise of ethnic nationalist movements throughout the world. The reasons may be related to the increased acceptance of people sharing their opinion that may have been suppressed during the dictatorial rule. Citizens therefore become involved with their ethnic identity at the same time of democratic liberalization takes effect.

Many scholars argue that nationalism is not a spontaneous movement. When nationalism becomes a part of political discourse, it is always a result of politicians that use it as a tool to manipulate the people and gain their support. That said, they would be unsuccessful in introducing nationalism if the people are not intrigued by it (Spencer, 2001). In line with Whitmeyer (2002) observation authors like Brass (1991), Breuilly (1993), Ignatieff (1993) and Snyder (2000) founded, political elites often used nationalistic rhetoric in order to achieve their political goals. It is not uncommon for these political movements to be closely related to separation, autonomy or for further promoting the rights of their ethnic group.

Once people who have lived under communism start transitioning toward a democratic system, they tend to find it difficult to accept a new political system which is based on mutual understanding and tolerance. Instead, it often occurs that people start looking for someone to blame for their problems. As Puhovski wrote, "ethno nationalism was almost tailor-made to replace the old ideological schema". As was the case, the leaders of republics took advantage of the situation in order to promote their political agenda using nationalist rhetoric. This was seen in other case

outside of Yugoslavia, the Soviet Union being the closest example at the time. In the transition towards democracy, these leaders position themselves as "dictators" using the instruments of democracy (Spencer, 2001).

The result in this transition towards democracy is the increased opportunity for nationalism and separatism from ethnic groups. This was the case in Western countries as well, including Canada (Quebec), UK (Scotland) and Belgium. Most often, these issues are resolved peacefully, but as was the case with Yugoslavia in the beginning of 90s, it can also end up in a bloody war.

#### **4.3. Nationalism as an argument for the dissolution of Yugoslavia**

According to Cannon (1992) in order to explain nationalism, scholars use two terms: nationalism and ethno-nationalism. Furthermore, Kohn (1994) is making difference between two types of nationalism: Western European (that is closer to political term) and Eastern European (that is closer to cultural nation). Similarly, according to Hutchinson (1994) Western European nationalism promotes autonomy with equality for all citizens, while nationalism in Eastern Europe defines nation as a cultural and historical individuality that needs to be preserved and "revived" (Pejnovic, 2010).

In line with above division Arendt (1951) stated that Western European nationalism correspond to chauvinism, while the concept of tribal nationalism (Eastern and Central Europe) means that nationalism occurs within ethnic concept of the nation.



According to Pejnovic (2010) nationalism and ethnic nationalism primarily differ in relation to the individual, on the one hand and the nation or the state, on the other hand. Nationalism seeks to limit the power of government and ensure civil rights, individual freedom and autonomy. On the contrary, ethnic nationalism puts the nation above the interests and rights of the individual. While, nationalism seeks to establish dignity and happiness for individual, for ethnic nationalism power of the nation is the most important. Nationalism aims to establish harmony and brotherhood among countrymen, while ethnic nationalism admires the force, and leads to conflict between ethno-national groups.

Many scholars who dealt with nationalism in Yugoslavia claimed that nationalism was strong and it had two forms: separatist on one side and on the other side unitarians (Moore, 1998). While advocates of separatism insisted on creation of new countries within Yugoslavia, unitarians insisted on creation of Yugoslav nation and Yugoslavia as a nation state. Watchel (1998) believes that when we look at Yugoslav history, we should look at history of separatist and unitarians conflicts. According to Watchel it was a conflict over definition of nation and state. The main national issue was existence of one Yugoslav nation, or more nations within Yugoslavia. Since both types of nationalism were considered as anti-socialist ideologies, political elites were trying to suppress and discourage nationalism in the country. While they succeeded in this mission in the public sphere, in private sphere nationalism was present, especially among lower social strata .

Socialism is against nationalism as it is a threat to nation states. In the late 1980s the main conflict in Yugoslavia took place over the changes in the 1974 Constitution. There were two opponents, on one side the so called "constitutionalists", who were against new changes and on the other side the constitution reformers advocating changes that would lead to the creation of Yugoslav nation. According to Banac (1984) national issues are derived from unequal political structures and diverging goals of different national ideologies that emerged within the political culture of each ethnic group. Reforms in the 1970s contributed to the development and strength of bureaucracy, opening the way to political opposition, creating old coalition between the working class and the political bureaucracy (Mayor, 1983). Bureaucracy took advantage over transformed "self-management" system without great vision of internationalism, populist democracy and economic and technological confidence. Bureaucracy obtained local power through constitutional amendments that provided high degree of political and economic autonomy to the Yugoslav republics. Economic fragmentation led to an open rivalry between competing local elites mobilized around national symbols (Ocić 1983). In such a situation, when all is uncertain and there is no hope for a better future, identity based on ethnicity/nation seem to be the safe harbor for those affected, as they experienced discontent and fear (Pejnovic 2010).

According to Mosse (1987) nationalism was the most important collectivity that promised a happy and healthy world protected from the forthcoming changes. The Yugoslav political elite had the greatest responsibility for paralyzing the country, the inability of the people to be constituted and the reduction of identity on ideology (

Goat, 1981). After 1974, Yugoslavia was decentralized and special national system was created to organize various sectors, from education and culture to police and army. Perovic (1993) claims that the Yugoslav system was broken from the inside. In the public sphere, nationalism was aided by promoting anti-state concept, and the idea of a strong state emerged as an antipode to the socialist idea of the withering away of the state. The aim of socialism was the creation of the state as an instrument of class rule, the objective of nationalism was to create and/or strengthen the nation-state.

Extensive semi-industrial and industrial production was the basis of capital accumulation. Primitive bureaucracy was strengthened, which was dependant on high external debt (Strpić, 1988). This type of development, agreements between the working class and bureaucracy in villages and cities, has become a founding feature of the society and the successor states of the 1980s and 1990s of the 20th century, which supported the rule of populist politicians.

Nationalism was an important factor, especially as the main alternative to socialism. Later on nationalism was a part of rhetoric that created the post-Yugoslav states. The approach advocated by nationalists ignores the fact that the violent nationalism could only succeed because the communist elite (starting with the ideology of the withering away of the country), weakened the country to the point where it has become incapable of responding (Jovic, 2003).

## **5. SOCIO ECONOMIC EVENTS LEADING UP TO SEPARATION OF YUGOSLAVIA**

### **5.1 Underlying economic foundations: economic differences between republics**

The eighties in Yugoslavia developed without significant economic growth, despite the illusion that economic activity was in full force. This led to unequal development throughout all republics, thereby creating a unbalanced system where the north (Slovenia, Croatia) was significantly more economically developed than the southern republics (Macedonia, province of Kosovo). Neven Borak (2000) compared the levels of economic prosperity between republics with other nations, finding that "Yugoslavia was at the level of Turkey in terms of per capita gross domestic product at purchasing power parity in 1985. Kosovo, the less-developed part of Yugoslavia, was at the same level as Pakistan. The most developed part, Slovenia, was compared with Spain and New Zealand. Vojvodina and Croatia approached Greece and Portugal. Bosnia-Herzegovina and Macedonia were compared with Thailand and Mexico, and Serbia with Turkey". He showed that the former Yugoslavia was an economic federation with the biggest economic difference between republics in Europe.

Already sharp differences in living standards between republics were increasing as time passed. In 1986, the average salary in Slovenia was 40% above Yugoslav average, while in Macedonia the average salary was 30,6% under the Federal average. The earnings ratio between these two republics was 1:2 (Jovic, 2003, p. 218).

Figure 1 describes the GDP in republics and provinces between 1952 and 1989, taking the Yugoslav average as index 100. From 1952, it is evident that Slovenia and Croatia were the most economically advanced republics, while Kosovo and Macedonia were the poorest. As we can conclude from the trends in Figure 1, there are upward trend in the portion of average Yugoslav GDP coming from Slovenia (+14), Vojvodina (+29) and Croatia (+5). Serbia as a whole did not change significantly, while there were decreases in Montenegro (-14), Bosnia and Herzegovina (-18), Macedonia (-6), Kosovo (-19). This further highlights the disparities between the development of republics throughout the 40 year period. For example, the difference between most developed Republic Slovenia and the least developed Kosovo increased between 1952 1:3,9 till 1989 1.7,9 (Jovic, 2003, p. 219). Yugoslavia was unable to attain its goal of "brotherhood and unity", it's main political mission. Instead, the social and economic differences between republics were widening as time passed.

Another important impact along with the productivity levels and investment was the unbalanced mortality rate, particularly between the north and south. That is in Kosovo, there was dynamic expansion of population between 1945 and 1990 by more than 20%, while there were less demographic changes in Vojvodina (-1.6%), Croatia (0,5), Serbia without provinces (1,4) and Slovenia (2,5). This lead to further economic tensions as developed republics were not comfortable with financing the less developed (and less educated) areas of the country without seeing their own benefit (Petak, 2003, p. 66).

These differences had increased drastically since the self-management concept was established. Yugoslavia, as a socialist country, had a goal to decrease and not increase differences between developed and less-developed regions. Instead, the result was an even wider gap between regions. Throughout all republics, there was a sense of injustice. This was not just the case in Slovenia, who improved their position related to the Yugoslav average, but also in Kosovo, whose position worsened. Significant economic differences all lead to a common feeling of inequality across all republics/regions in Yugoslavia. They started to look at Yugoslavia as a country that has failed its own mission (Jovic, 2003, p. 212-218).

Given these differences in earnings and living standards across republics, the question remains: "how could this system function as a united market the way it did, with such evident disparities and inequality, without having a centralized fiscal authority?".

It was set by the 1974 constitution that the army, agriculture and retirement funds be subordinated under the federal authorities. Meanwhile, the republics were left to self-management of remaining social welfare programs (salaries, jobs, medicare, etc.). The economic structure was managed at the local republic level, thereby resulting in republic oriented decision making, as opposed to what was best for Yugoslavia as a whole. It was the most decentralized federation in Europe, the closest to that model being Switzerland. According to Petak (2003), the fundamental reasons were related to the political and economic system which lead to reinforcement of economic nationalism between countries.

## 5.2 Socialist unemployment

Unemployment had existed in Yugoslavia even since Second World War, but did not present a destructive element of the economic system in the country until the beginning of 80's. After Tito's death, unemployment became main economic and political issue for Yugoslavia.

Table 1 describes that Yugoslavia as a socialist country was facing very high and rapidly increasing unemployment rate from 1984. A few years after Tito's death, unemployment was over 14% at the federal level. In the first year after German reunification in 1990, the Kosovo unemployment rate was over 50%. Branko Horvard (1985) claimed that if Yugoslavia faced an "African unemployment rate"<sup>1</sup> the system would breakdown. It would have been impossible to have normal life if unemployment rate in some parts of Yugoslavia was over 50%.<sup>2</sup>

This makes one question why unemployed people from Kosovo, Macedonia and other less developed parts of Yugoslavia did not emigrate to Slovenia, where the unemployment rate was around 3%? (Table 1).

Why did not the market workforce mechanism work, as it did in other developed European countries? Although there was no law that forbade employment of people from less developed regions in the more developed republics, such as Slovenia, there was a very small percentage of people that was able to find a job there. This question was raised by a lot of scholars from the United States and Western Europe. Still, labor markets at that time were already functioning as national

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<sup>1</sup> Branko Horvard used the term "African unemployment" to explain the situation when unemployment rate is above 50 %

<sup>2</sup> In Kosovo unemployment rate in 1985 was 54.2 % which increased to 57.8 % by 1998

markets. In the late 70's, before Tito's death, the mobility of people was already low. Commodity trade was functioning through the whole Yugoslavia, but labor market at that time was closed in Slovenia and partly in Croatia. Labor movement functioned within ethnic communities. The search for a better job and higher living standards was related to the economic conditions within the given republic (Petak, 2003). That said, other key factors included the differences in cultural perspectives and traditions related to family planning as well as other psychological factors- namely, stemming from the desire to be in the majority. Similarly, there was great opposition and even fear of being in a minority in a given region (Vojnić, 1995, p. 93).

Primarily in Slovenia, economic inequality caused economic protectionism and further isolation of developed republics. As a result of the economic crisis and "self-management" ideology, Slovenia's labor market was becoming less available for "southern people" (Bosnians). The same happened to Albanians from Kosovo not just in Slovenia and Serbia, but across all republics. In times of crisis and limited resources, "southern people" became foreigners. Economic differences between nations now became cultural, social and political. Slovenia reinforced identification of "otherness", that they do not belong in their society. It seemed that Federation failed to prevent not just economic, but national political equality. Opinion that more could be done as separate republics, without Yugoslavia, was growing. Slovenians felt that everything will be better if borders were closed. On the other hand, Albanians were feeling huge gap in inequality and injustice between them and other Yugoslav people (Jovic, 2003, p. 220).



### 5.3. The Yugoslav fiscal system and institutional ineffectiveness

The main economic issues that Socialist Federal Republic of Yugoslavia was related to the vastly different standards of living across republics. Therefore, the key challenge the government faced was to reduce the high differences in GDP and unemployment between republics. The federal institutions that were dealing with these issues, namely the Federal Fund for Accelerated Development of the Underdeveloped Republics and the province of Kosovo<sup>3</sup> was involved in the planning of the Federal budget, but were unable to successfully reduce the gaps and raise living standards in the underdeveloped areas.

Table 2 considers the period after the Second World War, showing the centralization of the Yugoslav fiscal system. The federal authority handled slightly less than two thirds of the available funds. Similarly, federal units (republics) controlled approximately one quarter of the available funds. The remaining funds were allocated to local governments. This division of funds was slightly changed after economic reforms in 1965 were carried out. During that period, the federation remained in control of half of the available funds, but there was a significant increase in the amount attributed to local governments (increasing from twelve to thirty percent). The turning point in fiscal policy was the change of the Yugoslav constitution in 1974. This resulted in giving high priority to republics and local governments (Bogoev, 1991, pp. 100-102). The change lead to the adoption of a new

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<sup>3</sup> The Federal Fund for Accelerated Development of the Underdeveloped Republics and the province of Kosovo was established in 1965 as a inter-republic system of resources towards undeveloped regions in Yugoslavia.

system of social welfare, which was transferred to republics, leading to significant decentralization of public finances (see Figure 3.). This meant that the greatest control of wealth was in the hands of republics, which could allocate the funds as they saw necessary. As seen in the figure, in 1982, there was a very sharp decrease in funds at the federative level, amounting to slightly above twenty percent.

By decentralizing fiscal jurisdiction, the federal budget was limited to financing the Yugoslav National Army (JNA), financing undeveloped parts of the country, diplomacy and federal administration, pensions for war veterans and for agricultural policies. All other functions were taken over by republics and were dealt with in line with the decisions made by the republic. This structure was the source of more and more frustration between the western republics and the JNA, due to the direct financing of all military costs which was introduced by the Yugoslav Constitution in 1974. Additional problems related to fiscal affairs resulted from inefficiency in the use of funds that were allocated for the development of underdeveloped regions in the country. Regardless of the need for inter-republic funding to reduce the standard of living between the north and the south (Begić, 1989), the fact remained that the level of investment in these regions was higher than in the developed parts but with higher capital coefficients than the Yugoslav average. A significant portion of invested capital, approximately two percent of the GDP was managed using the Federal Fund for Accelerated Development of the Underdeveloped Republics and the province of Kosovo. This method of collecting money was always question of complains. The underdeveloped regions continued to

ask for more and more funds (Macedonians, Bosnians, Montenegrins and Kosovars), while the developed regions (Slovenia and Croatia) were complaining that they are paying too much and that is not giving proper result (Sörensen, 2009, p. 101). This, along with the financing of the military, resulted in constant stress and conflict within the federalist system of Yugoslavia (Petak, 2003, p. 65).

In the beginning of the eighties, when a deep economic crisis hit Yugoslavia, the country faced severe internal and external shocks. Economic reforms were imperative. Due to the death of Tito, there was no political leader that would be able to enforce the policy of economic stabilization. In Tito's absence, Yugoslavia's federal center lacked sufficient authority to assert control over the country's economy and to successfully reform it. Due to the lack of sufficient economic reforms, the country found itself bankrupt to the degree that it would not permit even the media to discuss the growing wave of debt related questions. In order to stimulate investments and increase productivity, republic governments decreased taxes on firms and profit, as it was suggested by international creditors IMF, WB, EEC (Petak, 2003).

In response to the severe economic crisis, new institutional arrangements had started to develop. This trend of republics taking full control of the economic and fiscal policies could be classified as “economic nationalism”- a distinctive category from the more commonly used term of “ethnic nationalism (Petak, 2003). Economic nationalism was increasing with rejection of north-western units to cover expenses and production losses on federal level, furthermore isolating from Yugoslav market and turning towards the European market. Since the Yugoslav Communist Party was

not able to deal with high level of unemployment, republics started building up new institutional agreements within their territories, particularly Slovenia and Croatia. "The new institutional structures include highly various actors at the level of republics: officials in executive bodies, parliamentary members, economic chambers members and in the Slovenian case even the members of various non-governmental organizations (Petak, 2003, p. 6)". Institutional agreements built on federal units level in order to deal with the socialist unemployment Woodward called the "Slovenian model" and the "Foca model" (Woodward 1995, pp. 264-65). According to Woodward "The Slovenian model" had more liberal approach to economic growth within the socialist economy, focusing on market competition and world-market standards of productivity. This way, employment would react to market demand, thereby demonstrating the advantage of flexibility (Woodward, 1995, p. 264-265). The second model represented a more state approach to the economic development, with high involvement of political structures in the production processes. Both models are branches of socialist self-management framework, derived from and adapted to different regional conditions within the unevenly developed Yugoslavia (Sörensen, 2009, p. 100).

The loss of legitimacy of the federal Communist Party was reflected on the international scene. In addition, northwestern republics engaged in more economic activity with Western European countries. Similarly, the developed federal units did not want to sponsor federal army, undeveloped regions and federal administration. All these events changed the political orientation of northwestern republics Croatia

and Slovenia towards the West. As Susan Woodward pointing out in her book: “While the decline of the federal party’s international bargaining position gave the republican parties illusion of more freedom to go their own way, that freedom would also depend on international leverage. It was not the republics in the south with unemployment of 20 percent or more that took political lead, but Slovenia – with full employment, labor shortages in industry, and only recent threats to living standards. Full employment in Slovenia meant that the costs of liberalization and technological modernization were much lower... Although an export-oriented, marketizing reform government objected strongly to its loss of rights to retain these revenues in Slovenia implied by the new requirements for depositing foreign exchange with the National Bank. Without that foreign exchange, Slovenia’s program to raise workers productivity back to European standards and to resolve labor shortages to industry with imports of more-advanced equipments and technology was in danger. In view of declining standards of living in the republic and wage competition with foreign countries for professional labor, its enterprises began to campaign against the rules on redistribution of a portion of market earnings from ‘above-average’ to ‘below-average’ firms and localities to replenish solidarity funds for guaranteed wages and the federal fund for credits to less developed republics. In their view, this redistribution was weakening the incentives to higher productivity in Slovene firms. Objecting to federal taxation on similar grounds – that resources were being wasted on the less efficient or unproductive – the republican government began to protest against the visible beneficiaries of the federal budget: the federal army, the less developed republics, and the federal administration (Woodward, 1995, p. 355-356)”.

After the decentralization, the next requirement for the adoption of "The Slovene model" was the rejection of socialist federal institutions and the development of new, individual, institutional arrangements to deal with the bankruptcy of the socialist model and the growing unemployment rate. This orientation towards the development of individual institutions was coined "economic nationalism". The Slovenes aimed to liberate the economy, opening towards new markets and aiming to raise productivity to European standards. Given that the Yugoslav was very labor intensive, as opposed to capital intensive, increased productivity could be achieved with the same level of technology and an increase in the number of employees, or by keeping the number of employees the same but purchasing new technology in the form of machinery which would allow for more competition with European counterparts. The Slovenes were very set on purchasing new technology, as they were not willing to integrate minorities from other republics.

The "Foca model" was propagated on behalf of the Yugoslav National Army (JNA), whose funding would have been additionally affected by the implementation of the Slovene model. Similarly, the JNA was unwilling to reduce costs of operations and continued to spend public funds for personnel and equipment. The reasoning behind this continued spending and purchases of new weapons was done "in accordance with its own strategy that after dissolution of the Warsaw pact, the threat from NATO still continued to exist (Petak, 2003)."

The main political conflict in Yugoslavia was between the federal army (defender of socialism) and the northwestern republics (promoters of economic

freedoms). As a result of this misalignment in economic and fiscal policy, economic nationalism grew, brewing tensions among republics. This significantly impacted relations and the road to separation of Yugoslavia was paved.

According to Gligorov (1990), federalism was not affirmed in Yugoslavia even though socialism was abandoned. The reason for the lack of success in affirming federalism was because Yugoslavia was primarily established on two conflicting principles-socialism and federalism. Socialism had an aim to centralize political structures and make them authoritarian, while federalism is based on liberty and autonomy. Socialism left bankrupt economy and the institutional arrangements evolved out as a respond to that problem were not connected with the affirmation of federalism. Contrary, they were connected with economic nationalism, because constituent nations were reluctant to bear the other nation's costs of socialist bankruptcy (Petek, 2003).

At one side in the upcoming conflict were Slovenia and Croatia, proponents of "The Slovene model" and at the other were JNA, Serbia and Montenegro, proponents of "The Foca model". Bosnia and Herzegovina, as well Macedonia, were located between the two poles. The only thing for which it should be waiting for was a motive to start with military conflict. It was found in Declarations of independence proclaimed by Slovenian and Croatian parliaments in June 1991. One day after JNA attacked Slovenia. It was the begin of bloody circumstances in the former Yugoslavia.

## **6. THE YUGOSLAV ECONOMIC CRISIS AND POLITICAL GRIDLOCK**

### **6.1. Triggers of the Yugoslav economic crisis**

The oil crises in 1973 and 1979 had a significant impact on the Yugoslav economy. Namely, in 1973, the OAPEC (Arab members of OPEC<sup>4</sup> including Egypt and Syria) proclaimed an oil embargo.<sup>5</sup> This resulted in a quadrupling of oil prices from three dollars per barrel at the start of the embargo to twelve dollars per barrel at the end of the embargo in March, 1974. Yugoslavia was also affected, both politically and economically, in the short run and long run by this unfolding of events. Namely, the rapid increases in prices lead to the inability of developing countries on the euro/dollar market to continue the financing, thereby ending up in debt. The countries weak economic foundations were exposed due to the significant rise in oil prices. As a result, the trade balance deteriorated significantly.

Yugoslavia ignored the suggestions from the International Monetary Fund, which proposed limiting domestic consumption and introducing austerity measures, and instead borrowed heavily from the World bank. This lead to even further economic stress as Yugoslavia's foreign debt skyrocketed from \$3.5 billion in 1973 to \$20.5 billion in 1981 (Woodward, 1995, p. 76). Poor economic foundations partnered with global instability and the death of Tito in June, 1980, resulted in a very unpredictable situation for the country. Due to this uncertainty, the Yugoslav dinar

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<sup>4</sup> Organization of the Petroleum Exporting Countries consists 13 members. It was formed as a respond to multinational companies "Seven sisters" who were dominated international oil market

<sup>5</sup> Embargo was proclaimed as a respond to United States and Western Europe support to Israel in the Yom Kippur War of 1973.



was significantly weakened compared to dollar, currency reserves were exhausted, foreign exchange market activities were stopped and lending costs grew higher. This left Yugoslavia with high debt, an unreformed economic model, political instability and uncertainty. Coupled with poor investment decisions, lack of structural reforms, external political instability due to the various changes on the global political scene (wars in the gulf states, USSR in Afghanistan, etc.), the Yugoslav economic climate was certainly in significant decline (Vuković, 2012). These were the founding blocks to the eventual rise of nationalism throughout the country, which will be discussed further throughout this paper.

## **6. 2 Political reactions to the crisis and increase of nationalism**

When a deep economic crisis hit the country, the political institutions were under stress. The 1974 constitution made Tito president for life, but since his death there was no recognized political leader who could step up and take the country out of crisis. As defined by the constitution, in the case of Tito's death, a rotating presidency would take effect. That was a new phase for state of affairs in Yugoslavia. The country experienced something for the first time, which had never before happened in a communist state. The country was left without a leader, and instead a new governance model involving representatives for each republic was introduced. This led to difficulties as each republic representative would focus primarily on their republic's concerns, rather than focus on Yugoslavia as a whole (Bianchini, 2012, p. 2). The new rotation presidency consisted eight members who were representing six republics and two provinces (Kosovo and Vojvodina). Members of the presidency

were appointed by republics and provinces, and the date of the rotation for chairmanship takes over the position are set by alphabetic order and balanced ethnic ratio. Essential economic matters (such as defense and foreign affair) continued to be in federation responsibility, which required a consensus among federal units. The most important change that the constitution 1974 brought was giving the federal units, including two provinces, right to block any decision by veto. This was set in order to prevent any nationality from gaining too much power and to ensure that no nationality felt excluded. (Spencer, M. 1998) . "It was clear from the beginning that "Yugoslav synthesis" would have been produce by ability of negotiating and mediating the deferent interests expressed by its territorial administrations" (Bianchini, 2012, p.2). In this part of the paper we will be focusing on political reaction to the crisis.

The harsh economic climate resulted in an increase in national tensions between republics due to the declining GDP (Labus, 1994, p. 232). Given that Yugoslavia was already decentralized at the time, political conflict due to the distribution of funds between republics and respective communist parties was a major concern and a cause of significant disagreement. In 1982, the actual magnitude of the debt crisis came to the forefront, proving that all involved republics and autonomous provinces were irresponsibly spending public funds, without notifying the federal government. It is estimated that their careless spending was sixty-five percent of the country's debt (Benett, 1997, pp. 69-70). This was possible due to the 1974 constitution, which established institutional framework thereby allowing the

formation of national economies governed and managed at the republic levels. Uncontrolled borrowing, unknown to the federal authorities, had become an endemic. Everybody was borrowing hoping that someone else would foot the bill.

The heavy borrowing in 1970 was not invested wisely, further contributing to the economic turmoil felt in the 1980s. The Prime Minister, Branko Mikulic (1986), stated that more than fifty percent of the borrowed funds were used for poorly planned projects, with little or no long term economic benefit. The wealthy republics- Slovenia, Croatia, Vojvodina and Serbia were funding the development of less developed regions of Bosnia and Herzegovina, Montenegro, Macedonia and Kosovo. This economic policy was a failure as the income gap and standard of living between the wealthy and poor republics/regions was only increasing. As mentioned earlier in the text, this is further highlighted by comparing the per capital income in Slovenia, the wealthiest republic, was about three times that of Kosovo, the poorest unit, in 1945 but six times as great by 1980s. "At the same time, Yugoslavia's universities began churning out graduates in the backward republics. While their level of education lead to high expectations, these were expectations which could never be fulfilled in a shrinking jobs market. It was a long-term recipe for disaster (Woodward, 1995, p. 69)."

The 1982 government, lead by Milka Planinic, was put under immense pressure from the side of the International Monetary Fund which resulted in the adoption of an anti-inflationary stabilization program of restrictive measures, with trade and price liberalization. Furthermore, the IMF demanded that Yugoslavia's

central government take control of the federal budget and to develop mechanisms which would enable easier decision making and implementation of economic policies. They suggested the use of majority voting, thereby eliminating the veto system (Spencer, 1998). The requirement was opposed by republican politicians from developed areas that benefited from the decentralization. Their main argument was in favor of democracy, but in fact they had privileges to protect. By opposing reform, they proved to be nationalistic because they were defending the interests of their own republics (Bannet, 1997, pp. 69-70).

Ironically, Slovenia and Croatia were against the institutional elements of reform. They fully supported the veto system and were against majority rule. They were not in favor of the proposed changes put forward by the international community, believing that the veto would enable them to protect their own national interests more effectively. Similarly, Bosnia and Herzegovina, Macedonia and Kosovo rejected majority rule, afraid that adopting it would result in a loss of control of local assets. This resulted in the further prolonging of the political gridlock (Woodward, 1995, p.62).

Economic protectionism of federal units began to grow, resulting in increased tensions between republics and thereby affecting the unity of Yugoslav market. Conflicts between national economies and national federal units were more and more frequent. In the meantime, the economic crisis was having a crumbling effect on the entire country (high unemployment rate, enormous foreign debt, high expenses in unproductive investments, large administration and a very expensive bureaucratic

system. Given that the existing economic system was insufficient to solve the issues posed by the economic crisis, urgent economic reforms were needed.

In 1982, the first commission, called the "Sergej Kraigher Commission", was established in order to explore conditions under which economic reform would be possible. It was decided that the total amount of the country's debt would be made public, but the split by republic was not publicized in order to prevent a deeper economic crisis and the triggering of a chain reaction from protectionism to nationalism (Bianchini, 2011, p. 2).

The new formulation of this economic model, better known as "the long term program for economic stabilization", was approved by federal parliament. Unfortunately, these measures were not enforced and properly seen through. The many opponents were in favor of a status quo position with regards to state regulation in the economic system due to the interests of their respective republics. Similarly, they believed that the proposed economic reforms would be risky and that they would not be able to be sustainable in the Yugoslav political structure. Too much risk was involved and republics believed they would be at the losing end, losing their political leverage with regards to participation in drafting economic policy.

The second established commission was called the Josip Vrhovec Commission, whose main focus was the political system. It was founded in 1984, working for two years, with the main goal of modifying the political system in a way that would positive impact the economic climate, thereby uncluttering the gridlock

and facilitating more expedative reforms to deal with the mounting stress of the economic crisis. Instead, they opposed the suggestions proposed by the economic commission for being against "true socialist self-management" (Crnobrnja, 1996, pp. 86-87).

The 1974 constitution dictated that parliamentary deputies would be elected by lower-level delegations instead of the citizens of Yugoslavia. That is, the citizens would elect these lower-level delegates that would later select parliamentary deputies. The deputies need to follow the instructions of the delegations and if they opposed to do so, they would be removed from their position (Dimitrijevic, 1994, p. 55). The commission did not deal with the imperative democratization of the political structure. It instead avoided the discussion of free multi-party elections. As a result, the positive steps taken had been blocked.

Attempts to get both economic and political reforms into action lasted for four years (from 1982-1984), however they did not give any positive result. Developed republics turned their political orientation towards West and others kept the *status quo* in terms of production, services, employment which was costly and ineffective with respect to the economic needs of Yugoslavia (Crnobrnja. 1996).

In sum, without democratic reforms that politicians were considering to be against socialist ideology, it was evident that they were working in favor and interest of their republics, as opposed to the benefit of the country as a whole. In that regards, the bridge between protectionism and nationalism becomes evident. As a result, instead of facilitating the internal negotiation of interests and developing common

goals at the federative level, republics began to distance themselves (Bianchini, 2011, p.3).

As mentioned earlier, the constitution was composed in a way that allowed the republics a significant amount of local leadership, however it also resulted in significant gridlock in the political system due to the veto power of the republics and provinces. Therefore, it could be said that the constitution set the foundation for mistrust, as it was giving republics and provinces the possibility to sponsor projects in their own interest, funded by federal funds. The reckless spending was not justified and certainly was not benefiting the majority. The constitution was based on consensuses, which is not in line with federal agreements. The combination of lack of trust and veto power resulted in the prevention of implementing any sort of significant reforms which would positively impact the country in recovering from the economic crisis. As Crnobrnja wrote, the Josip Vrhovec Commission opened Pandora's box of national change, instead of developing a democratic process, where the citizens had a greater role. "Rather blaming systematic causes for pure economic performance, because that would have involved self-criticism as well, the popular line became that others were to blame (Crnobrnja, 1996, p. 87)".

The idea of brotherhood and sense of a collective within the federation was quickly eroding, thereby reducing the ability to raise funds for investments (Bianchini. 2012. p. 3). The more developed republics, Slovenia and Croatia, complained about the aid they were contributing toward less-developed republics, thereby draining them of resources. On the other hand, the less developed republics

reciprocated by complaining about the terms of trade, which favored the developed regions. These republics argued that the developed republics gained more from the trade than they give from investment (Crnobrnja, 1996, p. 88).

The redistribution mechanism supporting the less developed republics was being more and more underfunded due to the political situation and growing requests from economically disadvantaged areas in the country (Bianchini, 2012, p. 3).

By the end of 1986, republics disagreed with the required contributions to the federal government. They stopped paying their share of the federal budget and gained fiscal sovereignty. The Serbian government was still in favour of stronger federal government, however both Kosovo and Vojvodina prevented internal economic reforms. Affluent Slovenia, on the other side of the spectrum, opposed economic reforms because it was faring well, even if Yugoslavia was not. There was less risk if the central government collapsed because Slovenia would fare well on its own (Spencer, 1998).

As Mihajilo Crnobrnja (1996) pointed out "this debate of a shrinking cake was not a central issue of a growing confrontation. The reader might find this surpassingly but if one keeps in mind that the object of the exercise was not to modernize the country but to readjust the system in a way that would ensure the bureaucracy's hold on power. In such a situation it was always easier and politically more expedient to look for blame elsewhere, to change other for economic suffering (Crnobrnja, 1996)." The economic and political relationships in Yugoslavia affected the system of self-management. Bianchini (2011) also pointed out that bureaucracy played a big role,



which prevented investments from one republic into another. In reality, the system was created in a way to prevent "domestic colonial relations" where one republic was effectively colonizing another. This led to a delayed decision making process, affecting economic effectiveness and market powers. The final result was the reinvestment of capital in local republics, further supporting the flourishing living standards, instead of developing underdeveloped areas. Local investments were given a priority. This trend became even more evident when tensions between republics increased. There was a significant decrease in economic activity resulting from the reduction of distribution of goods and increase of social inequalities. Social inequality grew, as did the gap between developed and undeveloped areas, all support rose in nationalism throughout the republics (Bianchini, 2011).

Economic crisis and institutional ineffectiveness resulted in putting the blame in other republics' hands for declining standard of living. In the first place, the Slovenian elite blamed Serbia and the federal government for redistribution of resources (jointly decided in Belgrade) to undeveloped regions. Furthermore, Serbian Academy of Intellectuals criticised the economic and cultural discrimination of Serbs living in republics outside of Serbia. Political elites engaged in conflict over the future of Yugoslavia and disagreed on whether it would take form of federation or confederation. In the process, the elites mobilized local citizens from their respective regions, which brought up the political conflict to a larger scale and on ethnic basis (Goati, 1996). The critical role was played by the Serb's leader, Slobodan Milosevic who mobilized Serbs against the leadership of Vojvodina, Kosovo and Slovenia. The

means to fight the respective leadership was through mass demonstrations (the so called "people's event"). Consequently, the political tensions led to social and economic crisis with forceful self-victimization and creation of nationalism against the "otherness" (Bianchini, 2011).

The socio-economic and political crisis led to the deadlock decision-making system. Changing constitutional system was perceived as the only way forward, even if it had to be delivered on forcefully. The situation created polarization of the whole Yugoslavia, which left no space for mediation. Nationalism was mainstreamed as the central ideology that deepened the already existing lack of trust and spoiled relations among republics and regions. The self-interest and preservation of power by political leaders was reinforced, through protecting their territorial autonomy. Unavoidably, disintegration process began and countries started demanding independence.

The rise in nationalism was a result of an ever deep economic crisis in the Yugoslavia. The sharp decrease in living standards and instability throughout all levels of society lead to the rebuilding of republics, thereby weakening the federal construction that was Yugoslavia. "The 1980s resulted in a loss of legitimacy of the political elite, as their tendencies to ethicized all social conflicts became more and more evident (Schierup, 1991, p. 122. similarly Goati 1996). Instead of a conflict between the governing communist parties with society, as was the case in Poland, Czechoslovakia and DRN, the Yugoslav paradigm was different. There was a conflict between parts of the governing communist party which had strong support in certain parts of society. The conflicting position between western republics that were in

support of a transition towards a European model and the remaining republics that were in support of a communist regime, was a cause of much strain within the country (Goati, 1996). The next section will further examine the split within the communist party.

### **6.3. Political elite and the split within Communist party**

The self-management system in Yugoslavia did not enable all republics to develop at the same pace, the northwestern republics benefiting from it, while the southern republics were not. The political framework was founded on a one party political system, while the economic system was based on the motivation of the working class. In order for this system to function, a mechanism for conflict management must have existed. The economic system based on social cohesion and self-management allowed the communist party to set the rules of the game and to be the supervisor in its management (Labus, 1994, pp. 226-227).

As previously mentioned, the federal assembly representatives were not directly elected. Instead, the citizens would elect local political leaders, who would then elect representatives at the federal level. These federal representatives would need to carry out the requests of the local officials; otherwise, they would have been removed from the position. In the founding acts of the 1974 constitution, the communist party of Yugoslavia was described as “the founding initiator and carrier of the political and economic system” (Hayden, 2011). This is a paradox as the communist party which held all power, was not composed of elected officials, but appointed ones. This was the only formulation in the constitution, which was

dependent on the unending establishment of communist rule in Yugoslavia. Nobody had predicted and prepared for the end of such political governance (through the communist party) at the time of approval, as was the case in January 1990 (Hayden, 2011). Therefore, the split of the communist party, which held complete political and economic control over the federation, led to the eventual collapse of Yugoslavia.

Discussing the changes in the political system enabled the communist leaders in republics and autonomous republics to adopt political positions different than that of the party. After the death of Tito, it became more and more evident that politicians were basing their differences on ethnic belonging. Both political and social agendas were being based on national programs and the strengthening of republics. This resulted in two key conclusions. Firstly, it raised the question of ethnicity and the rise of nationalism across all republics. Secondly, it became a source of anger and frustration pointed toward the Yugoslav federation. Conflicts with federal units became evermore present and decision making became centered on republics as opposed to what would benefit Yugoslavia as a whole. The result was a weakening federal political system and the strengthening of republics. A loose coalition of six communist parties, each with their own agenda, led to the political bankruptcy of an outdated political system. That said, the existence of the communist party of Yugoslavia was the only mechanism keeping the governance of the federation together. Over time, however, the weakening of the communist party resulted in six nationalistic segments of the party, eventually leading to the breakup of Yugoslavia (Crnobrnja, 1996, pp. 90-91).

Between 1989 and 1991, it was evident that the elites of the six republics did not have an equal role. It was more and more evident that Serbia, Slovenia and Croatia were setting the grounds for what would happen to all the republics, with Montenegro, Macedonia and Bosnia and Herzegovina feeling the after-effects. The formulation in the constitution with regards to all republics being equal, was just the situation on paper.

In socialism, the communist party is the only institutional lever leading to change in the economic system. Therefore, for things in the country to be better (i.e. recovery from the economic crisis and reduction of social misbalance), the Yugoslav communist party would need to reform itself. This task was simply impossible given the political and ethnic conflicts that were growing in frequency at the time (Labus, 1994). The breakup of the Yugoslav communist party was achieved at the last congress in 1990, where it was split between the Slovenian and Serbian units. The end of the political and federal system was in sight (Goati, 1996).

Labus (1994) claims the main reason behind the conflict was not related to the federation-confederation framework, but most predominantly related to the need for institutional change. The Slovenian communists were aware that socialism failed and they were in favor of institution changes which would liberate Slovenia and allow it to pursue its path towards Western Europe. They had support from their Croatian counterparts who were aiming for the same goal. On the other hand, Serbian and Montenegrin communists wanted a stronger federation with less institutional responsibilities at the republic level. Taking advantage of rising nationalism, the

Serbian communist party rejected autonomous regions and suspended institutional changes (Labus, 1994). On March 28<sup>th</sup>, 1989 the Serbian constitution regarding the autonomy of Kosovo and Vojvodina was amended. The leadership in Bosnia and Herzegovina and Macedonia were unable to find a balanced position with regards to the changing forces being felt in Slovenia and Croatia with those persistent in Serbia and Montenegro. There was political gridlock throughout the republics with uncertainty rising (Goati, 1996).

Macedonia, Bosnia and Herzegovina, Croatia and Montenegro supported the 1990 Federal government in holding free federal parliamentary elections. On the other hand, Slovenia and Serbia opposed. In effect, this resulted in the weakening of the Yugoslav Federation. Instead of holding federal level elections, they were held at the level of republics, which thereby strengthened the internal positions and significantly harmed the unity at the federal level (Goati, 1996). As Juan Linz and Alfred Stepan concluded in discussing similar issues in Spain, it is of vital importance for elections to be held throughout the country at the same time, as opposed to holding them separately across regions. This allows for easier management of daily order, controls political figures and organizations, and most importantly the validity of the government. When free elections are held throughout the country at the same time, it is easier to face and overcome problems directly (Linz and Stepan, 1992, p. 126). The elections were held three months after the last congress in 1990, which saw the split into two fractions (Slovenian and Serbian). The old communist elite held onto support from voters in Serbia and Montenegro. On the other hand, new political

elite received support in the other republics. That is, communist support remained in Serbia and Montenegro on one hand and nationalistic-liberal support was introduced in Slovenia and Croatia. Bosnia and Herzegovina and Macedonia were unsure about which political system they were in favor of, while the army remained faithful to the communist model (Woodward, 1995, p.12).

In January 1991, Markovic's government proposed new constitution changes in order to adequately reform the system of governance and save the country. Both Slovenia and Serbia disagreed and no reforms were carried out. As Jacques Delors wrote "No integration can be successful without a true institutional dynamic". This was the final chance to change the malfunctioning system from failure and no consensus was reached (Crnobrnja, 1996).

The role of mass media significantly impacted the support for rising nationalist opposition. It was often the case that nationalist leaders would make statements regarding the threats coming from other republics within Yugoslavia. They would claim that their lifestyle was being threatened, that there were significant differences between republics and that life together is only harming them further. The idea of Tito's "brotherhood and unity" was disappearing. The aim of mass media was to homogenize citizens within the republic and pit them against the other republics of Yugoslavia. Eventually, this change of mindset had resulted in acts of violence against citizens coming from outside the given republic (Goati, 1996). Andrija Kresic described this saying "the element of nationalism didn't stem from the people. Pandora's box of nationalism was opened by the ruling political bodies and

nationalism would result in the uncountable loss of human life. The political intoxication of nationalism would be reported by the mass media, thereby brainwashing citizens and leading to ethnic clashes between all involved republics fueled by hate (Kresic, 1994, p. 79)". In that way, the conflict between republic elites regarding the future of "second Yugoslavia" was transformed into a multinational conflict.

Lack of political consensus and timely democratic reforms were the main reasons behind the dissolution of Yugoslavia. Politicians were focused on the interests of their republics, and concern for a common federation grew thinner and thinner. This led to arguments focusing on differences as opposed to defining talking points that could lead to an improved situation for all citizens in all republics (Crnobrnja, 1996, p. 92). Lack of mutual trust and increasing suspicions led to the dissolution between republics and regions, thereby resulting in a political atmosphere of protectionism, further fueled by nationalism and self-interest. On one hand, the goal was to enter Europe immediately. On the other, it was for the Federation or nothing. Nobody was interested in finding common ground and compromise. The breakup of the communist party led to the dissolution of the cohesive unit responsible for maintaining political rule. Similarly, the democratic system was not established at the time. This left the country's institutions weakened, while the growing strength of the republics could result in one outcome: the death of Yugoslavia.



Finally, nationalism in all republics with no political solutions in sight, coupled with social and economic differences across republics result in Serbia, Croatia and Slovenia realizing that the country must be broken apart. Unable to split the country fairly, war was the inevitable result of political incompetency from all sides to solve the crisis.

## **7. CONCLUSION**

In conclusion, we have examined the economic crisis and political framework which contributed to the rise of nationalism, leading to the eventual dissolution of Yugoslavia. We supported our argumentation by examining literature by Woodward, Bianchini, Petak, Crnobrnja, Labus, Goati, and other scholars described in the literature review. In order to establish the theoretical background for our study, we considered two main academic approaches to nationalism. The first is the modernist school (economic approach), which is centered around economic development. They believe that the nation is an imagined political community, where each ethnic group is part of a social period that cannot last forever. Furthermore, they find that the political elite is the creator of nationalism. The second is the primordialists school (ethnic approach), which is centered around the ethnic approach. They believe that historical experience is a form of attachment and deeply defines the characteristics of an ethnic group. They believe that the political elite is not the only reason behind the rise of nationalism. We found that the Yugoslav case reflected no fixed and long term ethnic groups, but rather that the identity of ethnic groups are linked to social changes. This is in line with the modernist approach mentioned above.

Further considering the connection between democracy and nationalism, we have concluded that the leaders of the republics were not willing to reform the political system in favor of Yugoslavia, but rather kept the status quo that favored republics. They rejected suggestions by the international community in introducing majority voting, not willing to change the veto system as defined by the 1974 Constitution. The mounting economic stress and political gridlock resulted in a stalemate position which lead to the dissolution of Yugoslavia.

We proved our three main hypotheses; namely, that socialist bankruptcy was a main trigger behind the eventual rise of nationalism; that the rise of nationalism stems from the economic crisis; and finally, that insufficient reforms by the political elite lead to the split within communist party, increasing nationalism.

We analyzed the impact of socialist bankruptcy and the effect on the rise of nationalism, proving that the primary goal of socialism - to provide equal opportunities to all citizens - was not achieved. This resulted in significant economic differences across republics, which kept growing instead of decreasing. Due to the factors of increased unemployment and significant economic differences, coupled with the impact of the oil crisis on the Yugoslav economy, republics started developing independent institutional arrangements. This lead to the federal fiscal crisis and unwillingness for cooperation among republics, further weakening the federation and strengthening the political elite at the republic level.

When deep economic crisis started in early 80s, institution we put under stress. Instead of dealing with crisis, republican leaders were protecting interests of their own republics. The rise in nationalism was a result of an ever deep economic crisis in the Yugoslavia. The sharp decrease in living standards and instability throughout all levels of society lead to the rebuilding of republics, thereby weakening the federal construction that was Yugoslavia.

In addition, we find that the political framework set by the 1974 Constitution set the grounds for significant institutional governance changes. Namely, after the death of Tito, leaders of each republic all had a right of vote in the decision making process, each having veto power. No decision could be passed without agreement from all sides. We conclude that this resulted in political gridlock and was a source of significant tension. Despite the advice from the international community and the suggestion to adopt a majority rule system, these key reforms were rejected. Some republics maintained their belief in the communist system, while some changed their orientation towards the West. We argue that the political elite acted in their self interest due to unaligned ideologies and the adoption of a decentralized system which gave them significant powers over local assets. The future of Yugoslavia took second place to that of the individual republics. As a result, we conclude that the failure of institutions lead to a "institutional vacuum" which was quickly filled by nationalistic leaders. This lead to the reinforcement of ethnic nationalism and further to protectionist economic decisions.

Finally, we conclude that the communist party was the only institutional lever able to initiate real change in the economic and political system. Therefore, for things in the country to be better (i.e. recovery from the economic crisis and reduction of social misbalance), the Yugoslav communist party would need to reform itself. We find that this task was simply impossible given the political and ethnic conflicts that were growing in frequency at the time. The party had support in certain regions throughout the country, but not enough to enable significant reforms. The political elite had known only for collective ideology. Instead of a conflict between the governing communist parties with society, there was a conflict within different segments of the communist party, only some of which had support from the people. Discussing the changes in the political system enabled the communist leaders in republics and autonomous republics to adopt political positions different than that of the party. After the death of Tito, it became more and more evident that politicians were basing their differences on ethnic belonging. Both political and social agendas were being based on national programs and the strengthening of republics. We believe that the result of these actions raised the question of ethnicity and therefore lead to the rise of nationalism across all republics. We conclude that with the breakup of the communist party, there was no political cohesive unit in Yugoslavia and, due to the lack of political will, there was no democratic system established either. This left the country's institutions weakened, while the growing strength of the republics could result in one outcome: the death of Yugoslavia.

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# APPENDIX

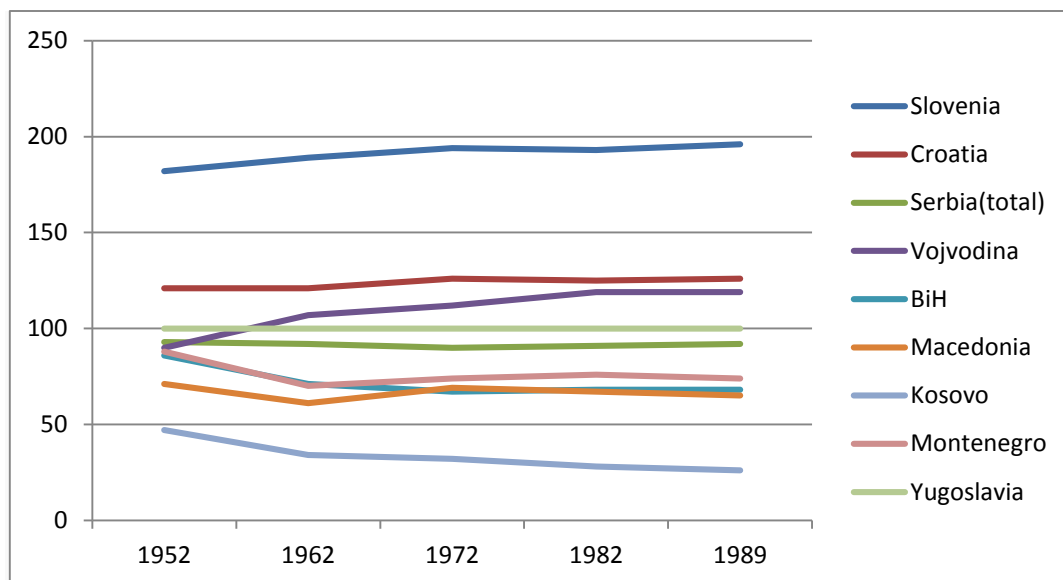
**Map 1: Map of SFRY before the war 1990.**



Source: Central Intelligence Agency.

Available at: <https://history.state.gov/milestones/1989-1992/breakup-yugoslavia>

**Figure 1. - Structure of GDP in republics and provinces 1952-1989**  
**(index 100 - Yugoslav average)**



Source: Vojnic, 1995.

<b>Table 1 - Unemployment rate in Yugoslav federal units</b>											
Years	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Yugoslavia	13.8	13.8	14.4	14.9	15.7	16.3	16.6	16.1	16.8	14.9	15.9
<b>Developed regions</b>											
Slovenia	1.4	1.6	1.7	2.0	1.9	1.8	1.7	1.8	2.5	3.2	4.8
Croatia	5.7	6.1	6.9	7.4	7.7	7.9	7.9	7.8	8.5	8.0	8.6
Serbia	18.9	17.7	17.9	17.3	17.0	17.4	17.9	17.8	18.1	15.6	16.4
Vojvodina	14.4	14.6	15.1	15.6	15.7	15.7	15.6	13.9	14.3	13.6	16.6
<b>Less-developed regions</b>											
Bosnia and Herzegovina	16.6	16.7	17.9	20.3	23.0	24.4	24.3	23.1	24.1	20.3	20.6
Montenegro	17.5	18.1	19.3	21.6	23.5	24.6	25.6	23.6	26.3	21.6	21.6
Macedonia	27.9	29.0	28.1	26.4	26.7	27.6	27.7	27.3	27.1	21.9	22.9
Kosovo	39.0	39.1	41.0	44.5	49.9	54.2	57.1	57.0	57.8	36.3	38.4

Source: Petak, 2003.

<b>Table 2 - Portion of total public expenditure based on level of government, 1947 - 1986 in Yugoslavia</b>						
	<b>1947/1951</b>	<b>1954/1959</b>	<b>1968/1970</b>	<b>1982</b>	<b>1984</b>	<b>1986</b>
<b>Federation</b>	63.1	56.3	53.1	18.2	19.7	21.9
<b>Federal units</b>	24.3	14.2	18.3	40.3	39.5	38.7
<b>Local government</b>	12.6	29.5	26.6	38.3	37.4	37.2
<b>Unlisted</b>	-	-	-	3.2	3.4	2.2

Source: Bogoev, 1991.